Market Segmentation

What Is a Market Segment?

A market segment is a group of households who share **similar attitudes, needs and preferences about a product or service**, such as a desire to live in a neighborhood located near transit instead of a car-dependent area.

Market segments do not necessarily represent groups of people with similar demographic characteristics. Market segments can share attitudes while having different ages, income levels, occupations and other characteristics.

One Size Does Not Fit All

Households have different preferences when it comes to housing. Some place the most value on having a short commute, others on living in a walkable neighborhood with local stores, and others on quality schools. While many households would like all of these qualities, they will make different choices in the face of necessary trade-offs. Those who have similar preferences constitute a market segment.

In addition, neighborhoods can not be everything to everyone. Examples of conflicting interests include the following:

- Inviting late-night restaurants and clubs into the neighborhood will attract certain new residents, but may create noise that repels others.
- Big backyards and large homes are important to some people, but may not be attractive to households that prefer low-maintenance homes and want to walk or bicycle for errands.
- The presence of local high-quality schools is the top criterion for some households, but additional tax revenue to support school quality may not be endorsed by many of the 75 percent of Bay Area households within which no children reside.

Market segmentation helps identify groups of people with similar preferences, and makes more explicit the tradeoffs that occur when designing neighborhoods and providing public services.